



Remarks For
The Hon. Steven C. Preston
Administrator
U.S. Small Business Administration

Delivered At The

ENTREPRENEURSHIP WEEK USA POLICY SUMMIT

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WELCOME

Thank you for that warm welcome Jonathan. And thank you all for having me today. I am honored to be on the agenda with so many advocates and champions of entrepreneurs.

And I would like to especially thank the Ewing Marion Kauffman Foundation, Inc. and the New York Times for launching the first of what I hope will be a long annual tradition of celebrating entrepreneurialism that is so vital in sustaining continued U.S. competitiveness and economic growth.

Ewing Marion Kauffman was the very definition of an entrepreneur, starting with few resources and growing his firm into the multibillion-dollar company it is today. As it enters its fifth decade, the Ewing Marion Kauffman Foundation has not wavered in its dedication to promoting "a society of economically independent individuals who are engaged citizens, contributing to the improvement of their communities."

By focusing its grant making and operations towards the advancement of entrepreneurship and to improving the education of children and youth, the foundation continues the vision and service and philanthropy of its founder in countless ways, showcasing first hand the rewards of education and entrepreneurship as a means to improve the lives of others.

In 1925, Calvin Coolidge, our thirtieth president, said that "the business of America is business." For millions of Americans 82 years later, that business is small business. And the path to small business ownership for many people starts with the U. S. Small Business Administration.

Starting a business is not easy. Entrepreneurs must be willing to take risks others won't. They must work around the clock if necessary, often acting not only as the CEO of their company, but the head of sales, head of finance, and whatever else it takes to get the job done.

It's hard work. Small business owners match every dollar of equity with \$10 of sweat equity. But that's also why they're successful where others are not.

America has an economy that regenerates, is flexible, and adapts to opportunity in large part because our entrepreneurial culture has taught us to dream, to see possibilities, and to act on these possibilities. Entrepreneurialism is in our national DNA and it is an underpinning of our country's greatness.

That is important for many reasons:

It creates jobs for Americans. Since August 2003, more than 7.2 million jobs have been created—more jobs than the European Union and Japan combined. Our economy has now added jobs for 41 straight months. Small businesses created 2/3 of those new jobs.

It creates economic growth. American workers are taking home more pay with those jobs. Real after-tax income per person has risen by 9.6 percent – \$2,840 – since the President took office. Small businesses represent more than half of our non-farm private GDP.

And, it drives innovation and competitiveness. Entrepreneurs drive a tremendous amount of the innovation in our country; small patenting firms produce 13 to 14 times more patents per employee than their larger competitors do.

Small business ownership also allows people to realize dreams, not only for the owners and their families, but for those they employ and those they serve.

Over the years, the SBA has helped many of our best known corporate icons get their starts. Intel, America Online, Outback Steakhouse, Apple Computer, Amgen, Ben & Jerry's, Callaway Golf, Staples, Under Armour, Nike, and Federal Express all received help from one of SBA's programs.

Today, we help entrepreneurs in a number of ways:

- The SBA lends or guarantees more than \$78 billion in loans and investments;
- It helps small business procure a fair share of government contracts, a record \$80 billion in 2005;
- Last year, SBA and its technical assistance partners counseled nearly 1.5 million entrepreneurs and its website received 26 million hits;

-- Through its Office of Advocacy, SBA helps protect small business from harmful new government regulations, and through its National Ombudsman it helps small business deal with unfair application of existing regulation;

-- Over the last six years, SBA loans have doubled, and loans to minority entrepreneurs have increased over 150 percent. The number of entrepreneurs receiving SBA counseling is up 40 percent.

We are a small agency with a very big reach. We are also an agency with a very big job. Over the past 18 months, one of the biggest parts of our job has been to help people along our Nation's Gulf Coast recover from the 2005 hurricanes. The agency provides low interest, long-term disaster loans to homeowners and small businesses.

In the wake of this disaster, the SBA was simply overwhelmed trying to respond to the demand for reconstruction loans. To accelerate the distribution of funds, it was clear we needed to eliminate bottlenecks, reduce errors and rework, and provide a more responsive and compassionate face to the disaster victims

Since last summer, we have fully redesigned our workflow from a production line with inadequate coordination and communication between functions to 15 person functionally-integrated teams with much greater authority to make decisions and manage accountability for results. We moved 1,300 staff to support this new process. We have provided each borrower has a relationship manager who understands their issues and can advise and assist them through the process. We have also instituted much tighter tracking and management of outcomes.

Of 160,000 applicants with approved loans from the 2005 hurricanes, 98 percent have now either received all or some of their loan money, or have chosen not to proceed with their loans, generally because they secured funds elsewhere. Now \$5 billion in SBA disaster assistance funds are at work rebuilding businesses and homes along the Gulf Coast.

Admittedly, I came to this role with a bias toward operational solutions because of my business background. But it appears to me that when there is a problem in government, we often try to address it with a new policy, a new law, or a call for burdensome oversight, when the solution may be fixing a process – that is, an operational solution. That is certainly what we saw with our disaster program. The President recognized the need for greater operational competence throughout the federal government very early when he rolled out the President's Management Agenda, which drives federal agencies to a higher level of efficiency, accountability, and quality.

Because banks are our distribution network, we need an operational process that makes them want to market our products. It is no surprise to me to find that SBA's loan growth is heavily driven by the products that are easiest to use. We live in a world of ready access to information

and quick decisions: we can't expect banks or customers to adopt a Byzantine process, even if the product is good.

So, we are focusing hard on both product design and process simplification; understanding what motivates engagement is critical.

Let's turn now to policy. It is also critical that we have thoughtful, fiscally responsible policies to unleash the power of entrepreneurial capitalism in this country.

We need to ensure that our country maintains an environment, where entrepreneurship and innovation can thrive unfettered, and where small business ownership can enable economic mobility and continue to be the hand of opportunity to so many Americans who may not find that opportunity elsewhere. It is critical to our being competitive – to having a vibrant economy.

It may also be our country's strongest bridge to opportunity for Americans of all backgrounds, and for that reason, it should be the goal of our economic policy to keep that bridge open, expansive, and sturdy. That is foundational to who we are as a people and a nation. And, in so many ways, the entrepreneur's spirit is the essence of our nation's greatness, and their accomplishments are its reflection.

We have a new Congress and should expect from it a continuation of the sound economic policies that have fostered an environment where innovation succeeds and small businesses flourish, fuel our economy, and create more jobs.

The President has often said that the role of government is to create and sustain an environment which allows small businesses to flourish and grow, and in his State of the Union Message last month he identified a number of areas where the federal government can help entrepreneurs.

He said healthcare coverage must be affordable, accessible, and flexible, and the President has renewed his call that basic, private health insurance be made available and affordable for more Americans.

Under the president's proposal, families with health insurance will not pay income or payroll taxes on the first \$15,000 in compensation and singles will not pay income or payroll taxes on the first \$7,500.

The President's proposal will result in lower taxes for about 80 percent of employer-provided policies. More than 100 million Americans who now get health insurance through their job would see their tax bills go down, and their health insurance would therefore be more affordable. In addition, people who purchase their own health care would see their costs go down.

Two other components of the President's health care agenda that are great for individuals and small businesses are Health Savings Accounts and Association Health Plans. Both will make

health care significantly more affordable for millions of Americans, many of whom don't have coverage today.

On taxes, the President has led by cutting taxes significantly, especially on capital – that is, on investment. These cuts incentivize more saving and investment across the economy; that enhances worker productivity which translates over time to higher salaries for workers at all levels. Freeing up the dollar on the margin for investment by reducing taxes on capital is a tremendous benefit government can give small business.

Fair trade is also important - trade enables producers of goods and services to move beyond the U.S. market of 300 million people to the world market of 6.2 billion. More than 95 percent of the world's population and two-thirds of the world's purchasing power is located outside of the United States, and more than 25 percent of our economy's growth comes from trade. Well over 200,000 small businesses are selling more than \$300 billion per year of goods and services in foreign markets, and since 2001, SBA's loans to exporters have increased 500 percent.

We want entrepreneurs to think big because they are the engine driving better jobs for Americans, greater competitiveness in the global marketplace, and transformation for our communities. Such growth occurs in large measure because of the perseverance and productivity of our nation's entrepreneurs.

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The men and women of the SBA have the honor and the responsibility of helping that engine reach its potential.

In doing so, the legacy we leave will be in the stories of every American we help empower – today, and for many years to come.

Thank you for your commitment to entrepreneurs. Enjoy the conference.

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